



Federal Budget Submission 2023
Supporting older Australians to build a better nation
January 2023

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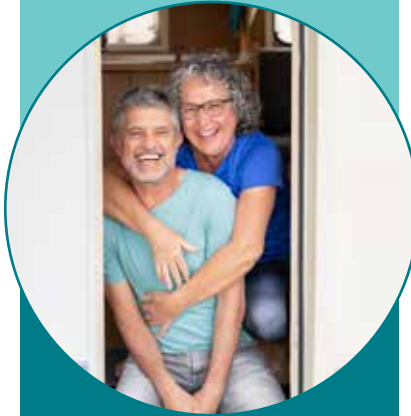
A snapshot of older Australians

50%



Proportion of voters
aged 50 and over
(Sep 2022)

2.6
million



Number of full or
part pensioners
(Sep 2022)

444,000



Number of job
vacancies across
Australia
(Dec 2022)

534,000



Number of renters
aged 55 and
over receiving
Commonwealth Rent
Assistance
(Jun 2022)

49,717



Number of
people waiting for
a Home Care
Package at their
approved level
(30 Jun 2022)

85%



Proportion of older
Australians who
believe climate
change is occurring
(Jan 2021)

Foreword

National Seniors Australia is the independent voice of older Australians.

Older Australians want strong and effective government that makes prudent policy decisions and gives them the confidence to save and spend.

National Seniors Australia is putting forward 12 key policies in the following key priority areas:

Creating a stronger retirement system.

- We should **encourage greater workforce participation** throughout a person's life to fill labour shortages and increase income and boost retirement savings and **index pension payments more frequently** when inflation increases rapidly.
- We continue to demand an **Independent Pension Tribunal** (to take the politics out of the pension) and for an **increase to Commonwealth Rent Assistance**.

Improving access to care at home.

- We need a **mature age home care traineeship program** and **incentives** to boost staffing in home care settings.
- We are calling for **incentives to downsize** and for a **capital grants scheme** to build seniors rental housing and smaller aged care homes in local communities.
- We are also calling for a transparent and fair process to deliver **additional aged care funding** and for a dedicated **Home Care Loans Scheme** so people get more care at home.

Older people contributing to future generations.

- Government can help older people achieve our emissions targets by issuing **Clean Energy Bonds** and help younger people by **adjusting gifting rules**.

These policies are an investment in the economic prosperity, health and wellbeing of our nation.

Most importantly, they will help restore trust in our political process.



Ian Henschke
(Chief Advocate)

Key recommendations

Retirement income

Priority 1: Strengthen the retirement income system

Recommendation 1: Exempt work income from the income test for all government payments to boost workforce participation, income and savings.

Recommendation 2: Index the Age Pension more frequently during times of high inflation to ensure payments adequately reflect living costs.

Priority 2: Fix pension poverty

Recommendation 3: Establish an Independent Pension Tribunal to set the Age Pension rate

Recommendation 4: Increase the maximum rate of the Commonwealth Rent Assistance (CRA)

Health and aged care

Priority 3: Mobilising the workforce

Recommendation 5: Provide 2,000 mature age home care traineeships per year to help meet demand for services.

Recommendation 6: Rejuvenate quality, industry-wide training that emphasises management support and worker satisfaction.

Priority 4: A home, not an aged care home

Recommendation 7: Allow people on the cusp of residential care the option of downsizing to a smaller, age friendly home by exempting excess sale proceeds from the assets test.

Recommendation 8: Create a capital grants scheme for the construction of rental housing for older people.

Priority 5: Funding aged care

Recommendation 9: All parties should commit to finding the fairest and most efficient way of funding aged care reforms.

Recommendation 10: Create a dedicated Home Care Loans Scheme to fund *additional* care and support.

Legacy

Priority 6: Investing in future generations

Recommendation 11: Give older Australians the opportunity to invest in renewable energy infrastructure by issuing Clean Energy Bonds.

Recommendation 12: Increase pension gifting limits to help the younger generation.

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RETIREMENT INCOME

Priority 1: Making the retirement income system stronger

Australia has never been one to rest on its laurels.

While our retirement income system is recognised as one of the best, most experts acknowledge it is complicated and could be improved.

To make it stronger, we must help people with limited means to be more self-sufficient in later life.

Australians shouldn't be punished if they need to work. To fix this we should stop taxing government payments excessively when people work more to lift themselves out of poverty. It could be achieved by allowing pensioners to retain more of their pension if they choose to work. This could be achieved through an opt-in exemption from the income test, allowing people to simply work and pay tax.

This would provide tens, even hundreds of thousands of local workers to meet labour shortages.

The Age Pension could be made fairer in times of economic crisis, by allowing the pension to be indexed more frequently when inflation rises rapidly.

Government should allow pension payments to also be indexed in June and December when inflation rises faster than normal.

Key Recommendations

1. Exempt work income from the income test for all government payments to boost workforce participation, income and savings.
2. Index the Age Pension more frequently during times of high inflation to ensure payments adequately reflect living costs.



RECOMMENDATION 1

Exempt work income from the income test for all government payments to boost workforce participation, income and savings.

Overview

- Currently, people receiving government payments are punished if they take on paid work to improve their lives, discouraging them from working or pushing them to work in the cash economy. This reduces workforce participation and undermines government tax receipts at a time of high labour force demand and significant budget pressures.
- All government payment recipients should be able to opt-in and receive an exemption from the income test for work income by applying a tax withheld rate of 32.5c in the dollar.
- Reducing a payment by 32.5c in the dollar and treating this as tax withheld avoids the need to report earnings to Centrelink. Alternatively, the rate of 32.5c could be applied as a lower income test taper rate, requiring ongoing reporting to Centrelink.
- The policy could be applied to the whole economy or targeted at the health care and social assistance and agriculture sectors as a two year trial.

Benefits

- Addresses critical workforce shortages while also improving the income, savings, health and wellbeing of people with low incomes / wealth.

Why the policy is needed

- Worker shortages are acute in many areas of the economy – According to the ABS, there were 444,000 job vacancies in December 2022.ⁱ
- Current means testing policies are discouraging people from working – only 14.2% of Australians aged 65 and over work compared with 24.8% in New Zealand.ⁱⁱ
- Deloitte Access Economics estimate a 5% increase in older worker participation will result in a \$47.9bn increase to GDP (\$60bn in 2022).ⁱⁱⁱ

Budget Implications

- According to [Deloitte modelling](#) our policy, when applied to pensioners, is “estimated to be [cost] neutral if 8.3% of pensioners take up the opportunity to go back to work (174,000) or work more (5,000).”
- Targeting the change to the Health Care and Social Assistance sector only “is estimated to be [cost] neutral if 8.3% of pensioners take up the opportunity to go back to work (21,000) or work more (600).”
- Further modelling would be required to estimate the cost/benefits of applying to other government payments beyond the Age Pension.

RECOMMENDATION 2

Index the Age Pension more frequently during times of high inflation to ensure payments adequately reflect living costs.

Overview

- Pensions are currently indexed twice a year in March and September to account for changes in living costs as measured by the Pensioner and Beneficiary Living Cost Index (PBLCI) and Male Total Average Weekly Earnings (MTAWE), whichever is higher.
- While the MTAWE is only indexed every 6 months, the PBLCI is updated quarterly by the Australian Bureau of Statistics (ABS).
- With wage inflation low, the PBLCI is more likely to be the measure used to calculate indexation.
- Government should index pension payments in June and December when inflation is abnormally high using the PBLCI as a marker of higher inflation.
- A threshold for applying an extra indexation event should be based on analysis of what is fair by eminent experts in this field.
- Where the threshold is breached, legislation would require Government to apply an out of cycle indexation to pension payments in the corresponding quarter (June or December)

Benefits

- Allowing for additional indexation of the pension in times of abnormally high inflation will ensure that pension payments keep pace with living cost increases ensuring that pensioners have adequate income.

Why the policy is needed

- According to the PBLCI, inflation is abnormally high, see table below.
- When indexation is only applied every 6 months during periods of abnormally high inflation, this may result pension entitlements not adequately keeping pace with changing living costs.
- According to the Reserve Bank of Australia, inflationary pressures are expected to increase until the end of 2022 and will not return to the target range of 2-3% until the end of 2024.

Percentage change in the Pensioner and beneficiary LCI (PBLCI) - annual (2016 - 2022)	
	% change
March 2021 - March 2022	5.0
March 2020 - March 2021	0.6
March 2019 - March 2020	2.4
March 2018 - March 2019	1.6
March 2017 - March 2018	2.3
March 2016 - March 2017	2.4
March 2015 - March 2016	1.1

Priority 2: Fix Pension Poverty

1.5 million people rely on the pension as their sole source of income.

One in three live in poverty.

Older renters are particularly hard hit. More than a quarter of a million pensioners don't own their own home.

On average, a pensioner receives only a third of what is needed to pay the rent.

Single older women are also more likely to be living in poverty.

They often have less savings and superannuation because they were out of the paid workforce looking after children and family.

That's why National Seniors Australia is fighting for an independent tribunal to set the rate of the pension and other related payments, to take the politics out of the pension.

It is also why we are calling for an increase in Commonwealth Rent Assistance for those experiencing poverty.

Key Recommendations

3. Establish an Independent Pension Tribunal
4. Increase the maximum rate of the Commonwealth Rent Assistance (CRA)



RECOMMENDATION 3

Establish an Independent Pension Tribunal

Overview

- Government should establish an Independent Pension Tribunal to set the rate of the Age Pension and other associated payments and a fair process for indexation that better accounts for rapid changes in inflation.
- The Tribunal would take responsibility for calculating a fair and adequate rate based on need and circumstance.
- The Tribunal could be established similar to the existing Remuneration Tribunal. It would be made up of a panel of three members, supported by dedicated staff from the Australian Public Service Commission.
- Its decisions would be accepted by Parliament in the same way monetary policy is set by the Reserve Bank.
- The Tribunal would hand down its determination every November to provide enough time to be accounted for in the May Budget.

Benefits

- An Independent Pension Tribunal would help restore faith in government by taking the politics out of the pension setting process.
- The Tribunal would have scope to set variable rates, which reflect differences in circumstances ensuring an adequate safety net was provided.

Why the policy is needed

- The base rate of the Age Pension is too low – A third of the 1.5 million people who live solely on the Age Pension, live at or below the poverty line.
- Older Australians are living in poverty because payments do not adequately address specific circumstances, such as disproportionately rising rental costs.
- Confidence in government is low – the pension is regularly targeted for Budget savings with arguments about the cost of the pension used to justify cuts.
- Younger taxpayers are being told by government they are bearing an increasing burden to fund the pension, stoking unnecessary intergenerational conflict.

Budget implications

- The cost of the Independent Pension Tribunal would be met by additional resourcing to the Australian Public Service Commission under Program 1.1.
- The implications for the Budget arising from the Tribunal's determinations would be costed annually.

RECOMMENDATION 4

Increase the maximum rate of the Commonwealth Rent Assistance (CRA)

Overview

- Government should increase the maximum rate of Commonwealth Rent Assistance (CRA) to ensure it adequately meets private market costs
- An additional supplement could be provided for seniors requiring accessible housing when they live in housing certified as meeting higher accessibility standards.

Benefits

- Increasing CRA is a simple and effective way to address the housing problem facing older renters.
- It will help older people maintain their housing.

Why the policy is needed

- Home ownership is the single most important determinant of the wellbeing for people on the Age Pension.
- A lack of affordable public and social housing leave many reliant on the private rental market.
 - Over 325,000 people aged 65 and over are renters, two-thirds of which rely on the private market.^{iv}
 - According to the Retirement Income Review, older renters are most likely to experience poverty.^v
 - Older renters often do not have significant wealth or income and rely on the Age Pension – 300,000 CRA recipients receive the Age Pension.^{vi}

Budget Implications

- An increase in the maximum rate of CRA of an average of \$10 per week to all pensioners currently receiving CRA would cost around \$154m per year.
- Ideally, any increase could be targeted at full pensioners to reduce the overall cost.
- Ultimately, the maximum rate of CRA should be set by an Independent Pension Tribunal.



HEALTH AND AGED CARE

Priority 3: Mobilising the workforce

Delivering quality aged care services to older Australians requires qualified and committed staff.

It's not just about increasing the number of home care packages, it's also about having an adequate supply of workers to meet demand.

That is why National Seniors Australia is recommending a national mature age traineeship program to attract quality mature age home care workers.

Aside from the need to pay aged care workers more, government must also address the level of support and recognition provided to aged care workers.

Increasing worker satisfaction can be achieved by improving the quality of training provided to them and by ensuring they are adequately supported by management.

Key Recommendations

5. Provide 2,000 mature age home care traineeships per year to help meet demand for workers
6. Rejuvenate quality, industry-wide training that emphasises management support and worker satisfaction.



RECOMMENDATION 5

Provide 2,000 mature age home care traineeships per year to help meet demand

Overview

- Create a targeted home care traineeship program for mature workers aged 50+ to meet the cost of training.
- The program would be based on the successful South Australian pilot traineeship scheme, which links older workers with a home care provider.^{vii}

Benefits

- Meets the growing shortfall for home care workers.
- Encourages people to work in home care.
- Provides greater income and superannuation for older people, particularly women.
- Provides care recipients with access to mature and sympathetic workers – as is their preference.

Why the program is needed

- Evidence from the existing pilot (run by provider My Care Solution) shows home care recipients and home care providers prefer mature aged workers.

“At My Care Solution, more than 85 per cent of our workforce is aged 45 or older. They are committed, reliable, eager to learn, and most importantly, they are compatible with our elderly clients.”

Mark McBriarty, My Care Solution

- Demand for care workers is growing rapidly – CEDA estimates a shortfall of 400,000 workers by 2050.^{viii}
- Mature aged workers are in demand in home care – The average worker age in community care is 50.^{ix}
- Mature aged workers are not being adequately serviced by existing training programs – The existing Restart program is a failure with limited take-up of its \$10,000 subsidies.
- There’s a large number of older people who are not counted in the unemployment figures but want to work – According to the ABS in 2018-19, there were 233,000 people aged 50 - 69 who were not unemployed but want to work either full or part time (they are not in the labour force, not retired and not currently employed).
- The ratio of workers to retirees is declining – The old age dependency ratio (of working-age people to those over 65) is projected to fall from 4:1 in 2019-20 to 2.7:1 in 2060-61.

Budget Implications

- The cost of the South Australian pilot was \$10,000 per trainee for training, uniforms, police clearances, tech support and non-accredited training i.e. orientation – This could be met by redirecting funds from the existing *Restart* program (funded at \$108.8m in 2017-18).
 - 2,000 traineeships would cost \$20 million per year or \$80 million over the forward estimates for 8,000 new home care workers.

RECOMMENDATION 6

Rejuvenate quality, industry-wide training that emphasises management support and worker satisfaction.

Overview

- Worker satisfaction must be centred in the future culture of the aged care industry if we are to retain and attract workers.
- Lessons from the past few years with the advent of Consumer Directed Care in the 2010s tells us change must be led by management with a commitment to supporting workers.
- All aged care workers also need quality training if they are to feel that their work is valued by society.
- New workers should be carefully vetted before undergoing training to ensure that suitable workers are attracted to the sector – suitable workers will be more comfortable and satisfied, leading to higher retention and lower attrition.

Benefits

- Providing adequate training and management support to aged care workers will boost job satisfaction enabling providers to attract and retain staff.

Why the policy is needed

- Poor management and inadequate career advancement are some of the more frequently cited motivations for leaving the aged care sector
- Retaining and expanding the aged care workforce requires quality training and adequate support for workers from management structures.
- National Seniors surveys for the Aged Care Workforce Strategy found care recipients frequently had issues with poor management from the levels above, not with their personal care provider.
- There is a need for significant upskilling to meet emerging requirements of home and residential care.
- Client centred care requires internal education and training from the top down including the Board so financial matters don't dominate.

Priority 4: A home, not an aged care home

Most Australians (92%) want to remain in their own home as the age.^x

However, there are many challenges remaining at home, especially when physical or cognitive impairment becomes an issue. The family home may also become unsuitable if it requires upkeep, maintenance or modification.

Older Australians might consider downsizing if alternatives were available. However, one of the biggest barriers is fear this will impact a person's pension.

Unless this is addressed, pensioners will remain trapped in unsuitable housing, putting them at higher risk of injury and premature entry into residential care.

Those who don't own their own home have another problem. They rely on private rentals or community housing, both of which are in short supply.

Boosting the supply of dedicated rental housing for older people would improve their lives.

Those that have to go into a home, should have access to smaller sized, home like environments.

Key Recommendations

7. Allow people on the cusp of entering residential care the option of downsizing to a smaller, age friendly home by exempting excess sale proceeds from the assets test.
8. Create a capital grants scheme for the construction of rental housing and small scale residential care homes for less than 20 people.



RECOMMENDATION 7

Allow people on the cusp of entering residential care the option of downsizing to a smaller, age friendly home by exempting excess sale proceeds from the assets test.

Overview

- Older people should be granted an exemption from the assets test for excess sale proceeds to encourage them to downsize into more suitable housing. This will:
 - ensure the delivery of care and support is easier, and
 - keep people out of residential care for as long as practical.
- Eligibility would be restricted to people who were aged 80 and over, were eligible for a Home Care Package and had owned their home for more than 10 years.
- Those choosing to downsize could place excess funds into superannuation using the [Downsizing into superannuation](#) scheme and would then be able to purchase additional care and support.

Benefits

- Reduces the risk of prematurely entering residential care.
- Reduces the overall cost of care to government and the individual.
- Removes the financial disincentive to downsizing.
- Increases the use of the superannuation downsizing scheme.
- Stimulates demand for seniors friendly, accessible housing.
- Frees up housing stock, taking pressure off the housing market.
- Boosts spending, creating jobs and economic development.

Why the program is needed

- A proportion of older Australians live in larger homes that have become unsuitable as they get older – almost 50% of households receiving a pension or government allowance had two or more bedrooms spare.^{xi}
- Older people can lower their risk of entry into care where care is provided – a recent study showed every hour of service received per week was associated with a 6% lower risk of entry into residential care.^{xii}

Budget implications

- Many older people don't consider downsizing in later life and often continue living in their homes, receiving the same level of pension as they would if they were granted an exemption. As such, providing an exemption late in life would have limited budget impact.
- An exemption would be consistent with residential care where a two-year exemption from the assets test already exists.
- The economy would benefit from increased spending. The residential construction industry for age-friendly housing would get a boost and older people would have more money to spend on care and support.

RECOMMENDATION 8

Create a capital grants scheme for the construction of rental housing and small scale residential care homes for less than 20 people.

Overview

- Capital grants should be available to housing projects offering a simple rental agreement, with longer lease options and accessible housing design and for residential care homes with less than 20 residents.
- The scheme should provide seed funding, which can be used to attract private capital for housing projects.
- Rental housing should meet universal housing design standards to accommodate residents with physical or cognitive impairments, including dementia.
- Seed funding should also be available for small-scale residential care projects housing less than 20 people to make these more attractive to build. This will boost quality of care in local communities for those unable to live at home.

Benefits

- Improves the delivery of care and support to low-income older Australians.
- Provides an alternative to unstable and expensive private rental housing.
- Smaller sized aged care homes will provide higher quality of care in local communities.
- Stimulates housing construction and more specifically construction of seniors friendly housing.

Why the policy is needed

- Around 325,000 people aged 65 and over are renters, two-thirds rely on the private market.^{xiii}
 - According to the Retirement Income Review, older renters are most likely to experience poverty.^{xiv}
 - Older renters often do not have significant wealth or income and rely on the Age Pension – 300,000 CRA recipients receive the Age Pension.^{xv}
 - Private rentals often don't incorporate universal design principles, placing older renters at risk of falls, hospitalisation and then premature entry into residential care.
 - Evidence suggests there are strong benefits of smaller aged care facilities. For example, research conducted for the Royal Commission identified a disproportionate number of smaller sized homes achieving a higher quality of care.

Budget implications

- A seeding fund of \$300m could be provided initially for projects in priority locations where there is a high need for rental stock for older seniors and to encourage the construction of smaller scale nursing homes.

Priority 5: Funding aged care

The Royal Commission into Aged Care Quality and Safety handed down a blueprint for reform, which requires significant funding.

The time has come for all sides of politics to fix this problem.

All sides of politics must come together to ensure the fairest and most efficient funding option is chosen.

Older people should also be able to fund *additional* care (over and above what government provides) to help them remain safely at home.

Allowing older people to safely and cheaply unlock home equity to “top up” their care should be made available.

This will give older people a better life and reduce the risk of premature entry into residential care. Saving the individual and government in the long run.

Key Recommendations

9. All parties should commit to finding the fairest and most efficient way of funding aged care reforms and develop a transparent process to gain public support for any reforms.
10. Create a dedicated Home Care Loans Scheme to fund additional care and support.



RECOMMENDATION 9

All parties should commit to finding the fairest and most efficient way of funding aged care reforms and develop a transparent process to gain public support for any reforms.

Overview

- Independent analysis of aged care funding options should be undertaken during the current term of parliament.
 - This analysis could be performed by the Productivity Commission and put before an expert review panel and a multi-party parliamentary committee.
 - Independent analysis should establish the most fair and efficient way to raise the additional funds required to fund aged care reforms.
 - It may involve a single funding mechanism, such as a levy, an increase to GST or changes to superannuation tax concessions. It may also include changes to the rules governing consumer contributions, such as annual or lifetime caps or the valuation of assets. This may involve a combination of these based on their capacity to deliver fairness and efficiency.
 - Consumer research and public consultation should be undertaken to assess public support for different policy options to ensure there is broad public acceptance before making any changes.

Benefits

- Establishing a thorough process for assessing the costs and benefits of funding options and ensuring public testing of funding options will ensure funding reform is not derailed by politics.

Why the policy is needed

- Reforming aged care requires significant new investment – Additional funding of between \$7bn and \$15bn per year will be required.^{xvi}
- The Federal Government will have to either raise new revenue or redirect funds from other spending areas – This will require difficult and unpopular decisions.

Budget implications

- The costs of analysing the most fairest and most efficient funding option would be similar to previous Productivity Commission investigations.
- Funding for consumer research and to run public consultation processes will be required.
- A community education campaign would be required to explain the changes.

RECOMMENDATION 10

Create a dedicated Home Care Loans Scheme to fund additional care and support.

Overview

- Develop a dedicated Home Care Loans Scheme (based on the existing Home Equity Access Scheme) with a reduced (cost recovery) rate of interest.
 - The scheme would allow older people to pay for additional support and care at home or to pay for home modifications
 - Eligibility for the scheme will be limited to those approved for a higher-level Home Care Package.

Benefits

- Increases the funds available to home care recipients to live a better and safer life in their own home.
- Reduces the risk hospitalisation and premature entry into residential care.
- Decreases reliance on more expensive residential care – both the government and borrower would be better off financially.
- Creates economic stimulus from the release of equity – boosting employment and spending on care, services and ageing related products.
- A targeted scheme would reduce financial risks to participants and government.

Why the policy is needed

- Older Australians have a strong preference to stay in their own home as they get older and a strong aversion to residential aged care.
- Thousands of older people are forced into residential care annually because of a lack of home care packages or income to pay for care and support – In 2019, 19,000 went into residential care unnecessarily and an estimated 20% of residents don't need to be in residential care.^{xvii}
- Older people can lower their risk of entry into care where care is provided – A recent study showed every hour of service received per week was associated with a 6% lower risk of entry into residential care^{xviii}
- Take up of equity release is more likely in times of crisis or need – A recent National Seniors poll showed 35% would consider a government equity scheme to provide a higher income in retirement, but a separate poll showed 59% would consider a dedicated home care scheme (with a reduced interest rate).^{xix}

Budget implications

- Setting a cost-recovery interest rate will mean the scheme is budget neutral.
- By targeting the scheme at those approved for higher level home care packages, participants will hold shorter term and smaller loans.
- Reducing the reliance on residential care will have positive budget implications (residential care is far more costly than home care).



LEGACY

Priority 6: Investing in future generations

Older Australians care deeply about the future and want to leave a better world.

National Seniors surveys consistently show older people are concerned for the welfare of the planet and the younger generations who will inherit it.

Our surveys show most older people (85%) accept climate change is occurring, with a majority wanting government action to meet emissions targets, even if this comes at a cost.^{xx}

Seniors are not only concerned about environmental issues but also social issues.

Our research has shown older Australians are deeply concerned about the current state of the housing market. They worry younger people are finding it difficult to buy a home.^{xxi}

National Seniors takes these challenges seriously and wants to help older Australians use their resources to deliver a better future.

Our focus is on promoting practical opportunities to tackle the pressing issues of today and create a better tomorrow. We want government to mobilise the wealth of older Australians to address climate change and the challenges facing younger people by issuing Clean Energy Bonds and by lifting pension gifting limits.

Key Recommendations

11. Allow older Australians to invest in renewable energy infrastructure projects by issuing Clean Energy Bonds.
12. Increase pension gifting limits to help the younger generation.



RECOMMENDATION 11

Allow older Australians to invest in renewable energy infrastructure projects by issuing Clean Energy Bonds.

Overview

- Clean Energy Bonds (CEBs) will give older Australians (pensioners and self-funded retirees) an opportunity to safely invest in large-scale renewable energy projects to meet our 2050 Net Zero emissions target.
 - CEBs would be guaranteed like bank deposits.
 - Funds would be invested in renewable energy projects and pay returns to investors.
 - Returns vary depending on the type and term of the investment.
 - Funds could be used to deliver community owned firming and transmission projects such as Snowy Hydro 2.0, Community Batteries or Marinus Link.

Benefits

- Provides a way for older people to use their wealth to meet emissions targets.
- Provides a safe savings option.
- Creates a simple way to invest (e.g. via Australia Post or other).
- Provides retirees with liquidity for unexpected costs (e.g. health and ageing).
- Boosts construction of renewable energy infrastructure.
- Creates jobs and economic development, particularly in regional Australia.
- Stabilises energy supply and reduces electricity prices (a major concern for all Australians).

Why the policy is needed

- Older people believe climate change is occurring and want action - 85% of older people believe climate change is occurring (2021); Two thirds of these people want action – even if it comes at a cost.^{xxii}
- To meet the Net Zero emissions target by 2050 Australia will need significant investment in new clean energy infrastructure - The International Energy Agency (IEA) has estimated that global annual energy investment to reach Net Zero by 2050 will be 5 trillion (USD) by 2030 alone.^{xxiii}
- Older Australians already have an appetite for investing in renewable energy - according to our own research 60.7% of older Australians have already invested in one or more renewable energy products or projects.^{xxiv}
- Retirees want a modest return from a safe, simple investment – \$160 billion is invested in term deposits, most will be older Australians' money.^{xxv}

Budget implications

- Clean Energy Bonds are designed to be cost neutral. By pooling investment government will be able to deliver modest returns while also generating capital for projects, such as Community Batteries.

RECOMMENDATION 12

Increase pension gifting limits to help the younger generation.

Overview

- Raising Age Pension gifting limits will encourage older Australians to contribute financially to younger generations – especially those struggling to get into the housing market.
- The gifting limit should be increased to reflect inflation and indexed annually.
- Based on average inflation, the gifting limit in 2022 should be increased from \$10,000 to \$16,000.

Benefits

- Provides an incentive for part-pensioners to assist the younger generation with the costs of purchasing a home, health costs, education costs and other costs.

Why the policy is needed

- Under social security law, gifting is defined as the act of giving away income or assets; or selling something for less than the value it is worth.
- Under gifting rules, income or assets given away may still count towards the income and assets tests - The limit someone can gift without it running afoul of gifting rules is \$10,000 per financial year.
- The gifting limit of \$10,000 was set in July 2002. Yet housing prices have risen on average 8.6% per annum from 2002 to 2020 and inflation has increased on average by 2.7% per annum.^{xxvi}
- While assets test thresholds are indexed in line with inflation each year (in July) gifting limits haven't changed at all.
 - Based on average inflation, the gifting limit in 2022 should be more than \$16,000.

Budget implications

- There are 384,000 part-pensioners who could receive a pension increase from gifting additional money. If all part-pensioners gifted \$6,000 more the cost to the Budget would be approx. \$200 million per year.
 - However, it is highly unlikely that a change in gifting rules would result in all part-pensioners choosing (or being able) to gift an additional \$6,000 per year.
 - If 10,000 single pensioners gifted \$6,000 the cost to the Budget would be \$8m; if 10,000 couples gifted \$6,000 the cost to the Budget would be \$4.7m.
- It is important to note that there is no evidence of the current extent of gifting and its impact on pension outlays. A recent National Seniors poll (n=1410) showed that 87% have already, or would, consider gifting money to purchase a first home.^{xxvii}

Endnotes

- i <https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release>
- ii <https://data.gov.au/data/dataset/dss-payment-demographic-data/resource/80cc89a3-3208-4e0d-9745-598f7a882e28> and <https://data.oecd.org/emp/labour-force-participation-rate.htm>
- iii <https://www2.deloitte.com/au/en/pages/economics/articles/increasing-participation-among-older-workers.html>
- iv https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/2017-18/41300_table7_2017-18.xls
- v <https://treasury.gov.au/publication/p2020-100554>
- vi <https://data.gov.au/data/dataset/dss-payment-demographic-data>
- vii <https://mycaresolution.com.au/my-care-solution-mature-traineeship/>
- viii <https://www.ceda.com.au/Admin/getmedia/29cf7e90-afe9-4c92-bf4b-7abc385078f8/Aged-Care-Workforce-2021-FINAL.pdf>
- ix <https://mccrindle.com.au/insights/blogarchive/demand-vs-supply-australias-aged-care-puzzle/>
- x https://nationalseniors.com.au/uploads/121201_NationalSeniorsResearch_GroupHomesAus_WhereWillLive.pdf
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- xii [https://www.jamda.com/article/S1525-8610\(17\)30457-7/fulltext](https://www.jamda.com/article/S1525-8610(17)30457-7/fulltext)
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- xiv <https://treasury.gov.au/publication/p2020-100554>
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- xvii <https://www.thesenior.com.au/story/6952511/safer-at-home-cota-calls-for-60000-new-home-care-packages/>
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- xxi <https://nationalseniors.com.au/research/intergenerational/worry-about-the-younger-generation-older-australians-intergenerational-solidarity>
- xxii https://nationalseniors.com.au/uploads/0320213485PAR-InfographicDevelopment-FINAL_1.pdf
- xxiii <https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits>
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- xxvi <https://data.oecd.org/price/housing-prices.htm>
- xxvii <https://nationalseniors.com.au/news/featured-news/Could-gifting-rule-changes-help-younger-people>

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